

**United States Department of Agriculture
National Finance Center
Operational Assessment of Accounting
Services
Briefing Package**



June 7, 2000

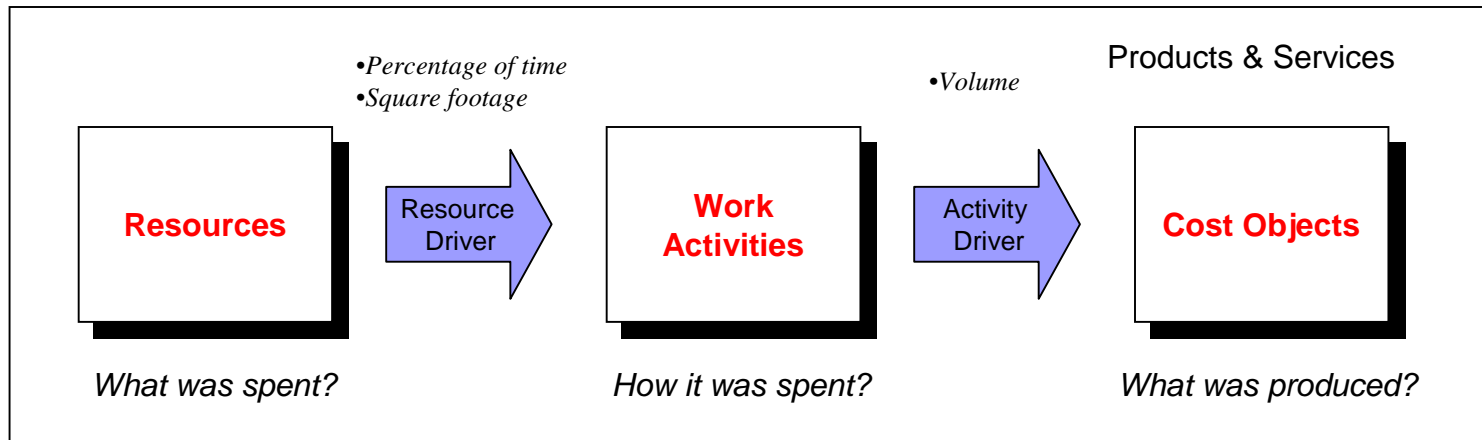
Phase I - Objectives

- Operational Assessment of FY99 accounting services
- Determine current product delivery times
- Identify tasks accomplished by accounting personnel
- Conduct activity-based cost study - build cost model
- Compare Cost of Accounting Operations
- Document and Report Observations

Phase II - Objectives

- Assessment of FY99 payroll/personnel/DPRS
- Determine costs associated with FFIS data warehouse
- Identify Project Office FFIS operational costs
- Determine FFIS/CAS cost split
- Update activity-based cost cost model
- Develop Costing Methodology
- Document and Report Observations

The ABC Model



- People
- Equipment
- Facilities
- Supplies & Materials

- Work Steps Performed

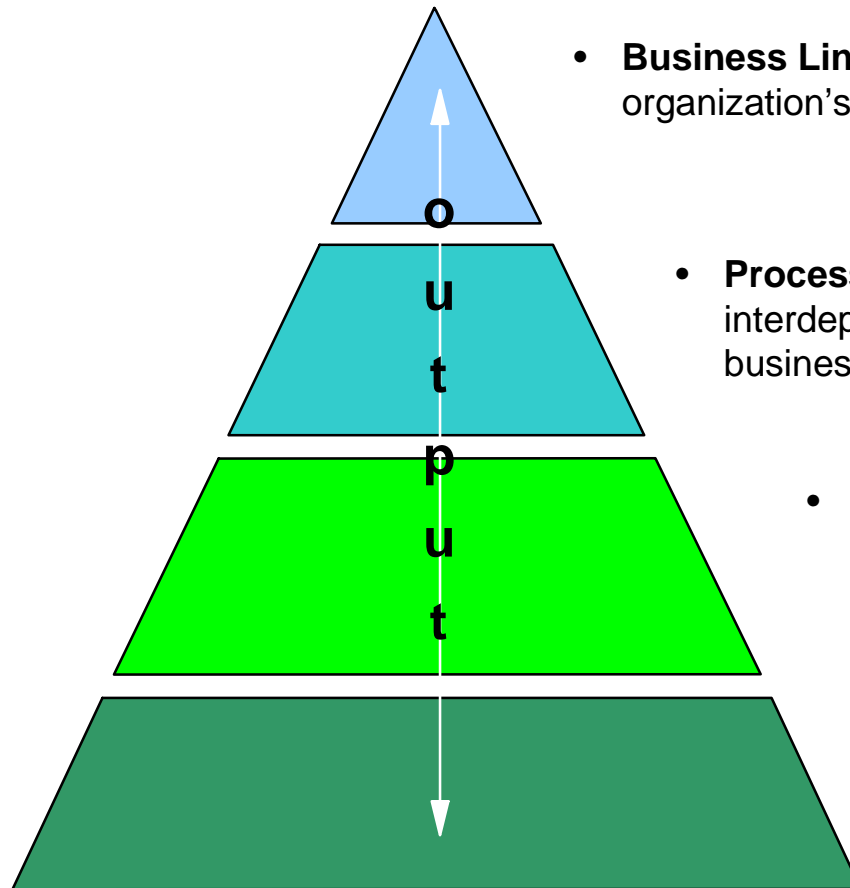
- Products & Services

- How much & what did I spend it on?

- What did the resources do?

- What was produced?
- What were the outcomes?

Activity Hierarchy



- **Business Lines:** The inherent basis of the organization's mission, linked to external customers
- **Process:** A sequence or network of related and interdependent activities performed in support of the business. Processes have identifiable outputs
- **Activities:** What people do in the organization. Activities consume resources to provide a service or produce an output
- **Tasks:** Worksteps performed by individuals. The level at which cycle time analysis is performed

NFC's Hierarchy/Dictionary

Eight Processes

A-1 General Management and Support

A-2 Personnel Management

A-3 Reporting

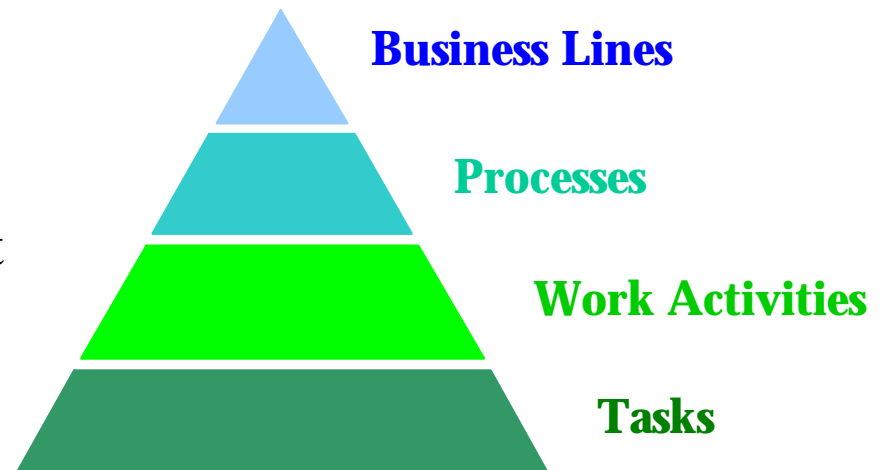
A-4 Operations

A-5 Support FFIS Operations

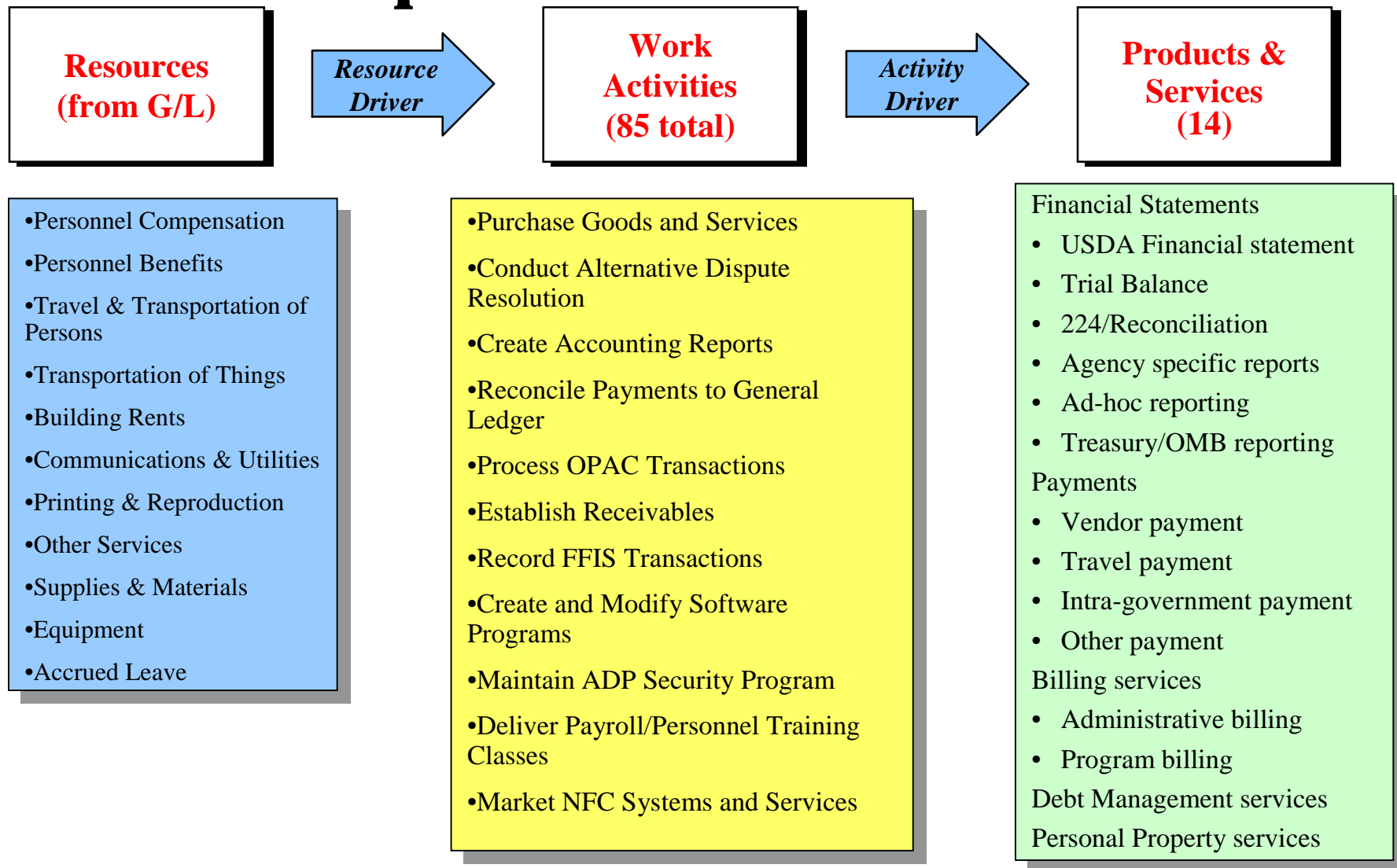
A-6 Operate ADP Environment

A-7 Requirements

A-8 Customer Service



NFC Example



A Different View of Expenditures

Traditional View	
<u>OBJECT CLASS CODES</u>	<u>COST</u>
Bldg. Rents	\$ 3,122,609.44
Capitalized Equip	\$ 4,945.56
Communication	\$ 2,838,193.78
Contractual Services	\$ 3,121,344.03
Data Processing	\$ 18,912.93
Depreciation	\$ 421,197.69
Equip. Rent	\$ 9,372,198.35
Equipment Repair/Maint.	\$ 4,103,966.77
Fees	\$ 47,802.21
General Other Fees	\$ 515,247.77
Interest	\$ 87,583.69
Maintenance of SW	\$ 4,368,763.54
Non-cap Equipment	\$ 196,923.79
Personnel Compensation	\$ 105,266,612.53
Postage & PO Box Fees	\$ 7,403,092.43
Printing & Repro	\$ 122.19
Security & Health	\$ 37,151.00
Special Pymnts	\$ 3,566,919.80
Supplies & Materials	\$ 681,709.87
Training, Tuition, Fees	\$ 1,288,155.98
Transp of Persons	\$ 1,082,600.30
Transport of Things	\$ 3,934.20
TSP Lost Earnings	\$ 8.00
Total - \$147,549,996	

Activity/Process View	
<u>ACTIVITY</u>	<u>COST</u>
<i>Processes</i>	<i>(sum of activities)</i>
Customer Service Process	\$4,267,219
General Mngmt & Support	\$6,102,843
Operate ADP Environment	\$18,585,852
Operations Process	\$18,009,809
Personnel Mngmt Process	\$3,309,395
Reporting Process	\$4,789,490
Requirements Process	\$1,923,860
Support FFIS Operations	\$1,740,179
Non-Accounting Costs	\$88,821,344
Total - \$147,549,996	

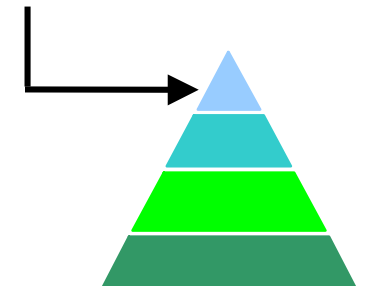
Product / Service View	
<u>PRODUCT/SERVICE</u>	<u>COST</u>
Debt Management Services	\$2,202,740
Personal Property Services	\$1,591,532
USDA Financial Statement	\$1,970,242
Trial Balance	\$4,603,947
224/Reconciliation	\$3,674,418
Agency Specific Reports	\$5,746,500
Ad-Hoc Reporting	\$3,557,967
Treasury/OMB Reporting	\$2,145,688
Vendor Payment	\$13,572,129
Travel Payment	\$8,004,740
Intra-Government Payment	\$4,597,417
Other Payment	\$1,773,056
Administrative Billing	\$1,876,884
Program Billing	\$3,411,390
Non-Accounting Costs	\$88,821,344
Total - \$147,549,996	

Accounting Product & Service Costs

FY 1999

Product/Service	Total Cost	Volume	Unit	Unit Cost
Debt Management Services	\$ 2,202,740	5420	# of ABCO and BLCO	\$ 406.41
Personal Property Services	\$ 1,591,532	1734950	# of inventory items	\$.92
USDA Financial Statement	\$ 1,970,242	245	# of statements generated	\$ 8,041.80
Trial Balance	\$ 4,603,947	9680	# of balances generated	\$ 475.61
224/Reconciliation	\$ 3,674,418	87	# of 224s	\$ 42,234.69
Agency Specific Reports	\$ 5,746,500	17000	# of reports generated	\$ 338.03
Ad-Hoc Reporting	\$ 3,557,967	3842	# of Infocenter FOCUS requests and SAS datamart reports	\$ 926.07
Treasury/OMB Reporting	\$ 2,145,688	5060	# of SF 133s, SF 2108s, and SF 220-9 reports	\$ 424.05
Vendor Payment	\$ 13,572,129	666783	# of payments (CAS actual/FFIS estimated)	\$ 20.35
Travel Payment	\$ 8,004,740	487548	# of payments	\$ 16.42
Intra-Government Payment	\$ 4,597,417	21198	# of payments (CAS actual/FFIS estimated)	\$ 216.88
Other Payment	\$ 1,773,056	16665	# of payments (CAS actual/FFIS estimated)	\$ 106.39
Administrative Billing	\$ 1,876,884	130058	20% of total # of ABCO manual, batch, and system-generated	\$ 14.43
Program Billing	\$ 3,411,390	648176	# of BLCO manual, batch, and system-generated documents	\$ 5.26
Total Accounting Services Costs	\$ 58,728,652			
Non-Accounting Related Costs	\$ 88,821,344			
Total NFC Costs	<u>\$ 147,549,996</u>			

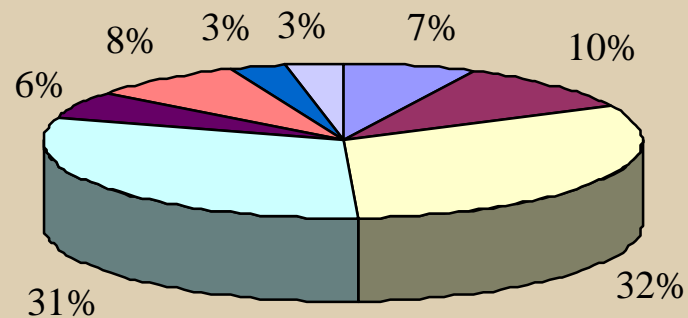
Business Lines



Accounting Process Costs

Accounting Process Costs

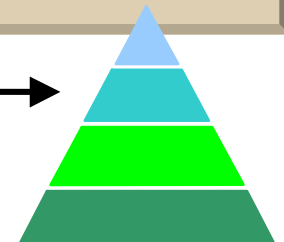
FY 1999 - \$58.7 million



Process cost represents the sum of the activities costs' in the process area.

- Customer Service Process - \$4,267,219
- General Management and Support Process - \$6,102,843
- Operate ADP Environment Process - \$18,585,852
- Operations Process - \$18,009,809
- Personnel Management Process - \$3,309,395
- Reporting Process - \$4,789,490
- Requirements Process - \$1,923,860
- Support FFIS Operations - \$1,740,179

Processes →



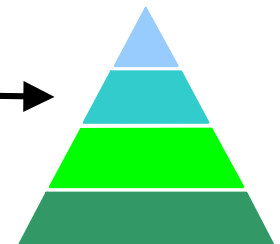
A Different View of Expenditures

Operations Process	
<u>ACTIVITY</u>	<u>COST</u>
Correct Pre-payment Errors	\$ 3,951,175.69
Create User Documentation	\$ 1,792,313.73
Reconcile Vendor Invoices	\$ 1,778,826.37
Process OPAC Transaction	\$ 1,508,832.78
Monitor & Control Updates to G/L & Financial Statements	\$ 967,399.28
Control Payment Re-certification Process	\$ 875,483.64
Reconcile Payments to G/L	\$ 867,508.85
Control Input Source Documentation	\$ 809,440.61
Conduct Statistical Pre & Audit Analysis	\$ 745,072.24
.	.
.	.
Total -	\$ 18,009,809.36

Key Finding: 2 out of the top 3 activity costs (\$ 5.7 million) in the Operations Process are related to error correction and reconciliation.

•How can NFC work with its customers to reduce these “non-value added” activities?

Processes →



A Different View of Expenditures

Customer Service Process

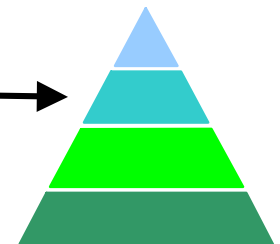
<u>ACTIVITY</u>	<u>COST</u>
Receive Non-Technical Inquiries	\$ 2,441,064.38
Receive Technical Inquiries	\$ 1,361,275.67
Design, Deliver & Conduct Training Courses	\$ 365,679.72
Market NFC Systems & Services	\$ 99,199.82
Deliver Payroll/Personnel Training Classes	\$ -0-*
Implement Agencies into Payroll/Personnel Systems	\$ -0-*
Total - \$ 4,267,219.59	

* Activity is not used for accounting product & service Production

Key Finding: Nearly 3/4 of total costs for the Customer Service Process (\$ 3.8 million) are for receiving technical and non-technical inquiries.

- Why so many? Why spend so much receiving inquiries?
- Assess the root causes of the most common inquiries, perhaps they can be eliminated or reduced, thus lowering costs in this area.

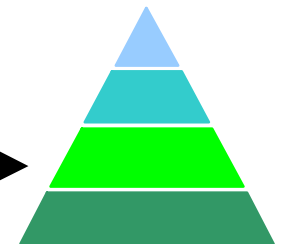
Processes →



FY 1999 Top Ten Activity Costs

Activity	Activity Cost
Troubleshoot and Solve ADP Problems	\$ 5,709,416.64
Operate ADP Environment	\$ 4,901,410.37
Correct Pre-payment Errors	\$ 3,951,175.68
Upgrade IT Infrastructure	\$ 3,075,308.05
Receive Non-Technical Inquiries	\$ 2,441,064.40
Create User Documentation	\$ 1,792,313.76
Reconcile Vendor Invoices	\$ 1,778,826.37
Support NFC Human Resources Needs	\$ 1,659,738.88
Distribute Output Media	\$ 1,658,427.06
Process OPAC Transaction	\$ 1,508,832.78
total	\$ 28,476,514

Activities →



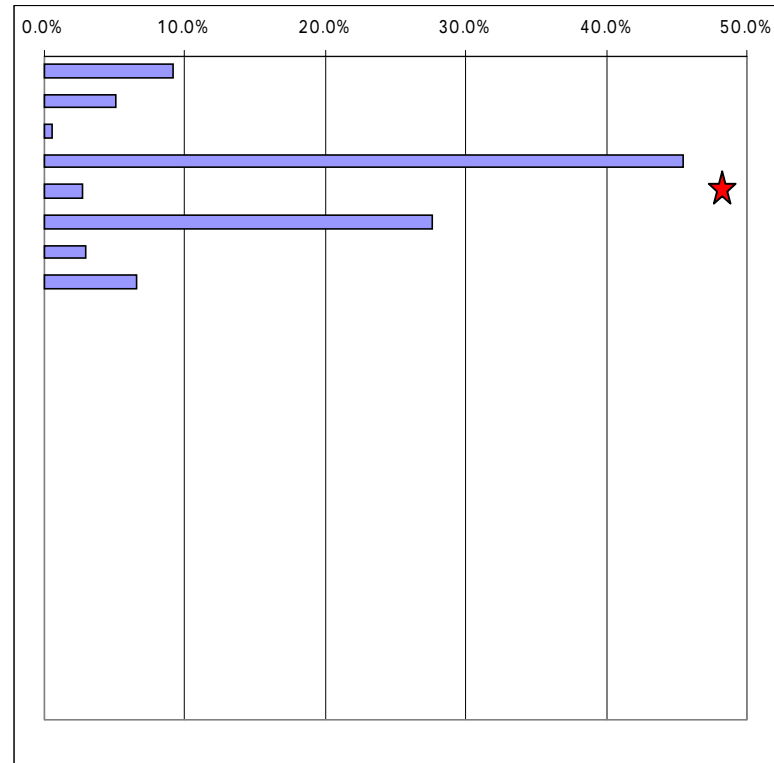
Product Area Activity Costs

The activities that are shown below support all Payments. Note that *Operations* is a high cost activity area.

Product Detailed Costs

Cost Center	0000	NFC
Resource	0.0	All
Activity	A-0.00	All
Product	2	Payments
Period	2	FY 1999 Revised

	Activity	Activity Cost	Act Perc
1	Genl Mgmt and Spt	\$ 2,568,371	9.2%
2	Pers Mgmt	\$ 1,410,436	5.0%
3	Reporting	\$ 149,125	0.5%
4	Operations	\$12,702,489	45.5%
5	Spt FFIS Ops	\$ 773,428	2.8%
6	Oper ADP Envir	\$ 7,704,909	27.6%
7	Requirements	\$ 819,933	2.9%
8	Cust Service	\$ 1,818,652	6.5%
9	Non-Acctg Ops	\$ -	0.0%
10	-	\$ -	0.0%
11	-	\$ -	0.0%
12	-	\$ -	0.0%
13	-	\$ -	0.0%
14	-	\$ -	0.0%
15	-	\$ -	0.0%
16	-	\$ -	0.0%
17	-	\$ -	0.0%
18	-	\$ -	0.0%
19	-	\$ -	0.0%
20	-	\$ -	0.0%
21	-	\$ -	0.0%
22	-	\$ -	0.0%
		\$27,947,342	



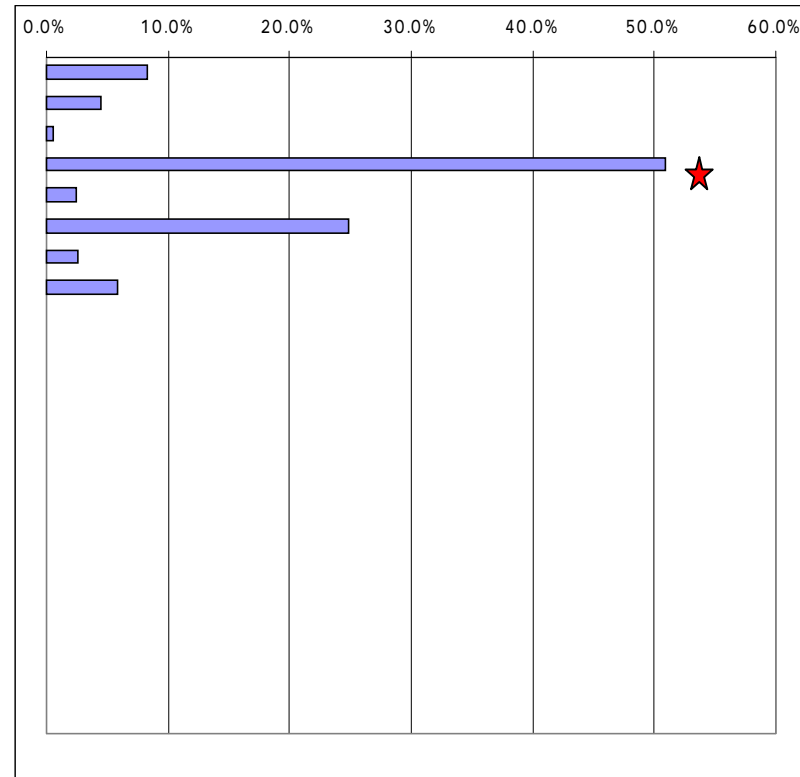
Specific Product Activity Costs

Going down one product level, the activities that support *Vendor Payments* are displayed. Note that the *Operations* area costs are still high (over 50%).

Product Detailed Costs

Cost Center	0000	NFC
Resource	0.0	All
Activity	A-0.00	All
Product	2.1	Vendor Payment
Period	2	FY 1999 Revised

	Activity	Activity Cost	Act Perc
1	Genl Mgmt and Spt	\$ 1,121,710	8.3%
2	Pers Mgmt	\$ 615,994	4.5%
3	Reporting	\$ 65,129	0.5%
4	Operations	\$ 6,914,093	50.9%
5	Spt FFIS Ops	\$ 337,787	2.5%
6	Oper ADP Envir	\$ 3,365,041	24.8%
7	Requirements	\$ 358,098	2.6%
8	Cust Service	\$ 794,278	5.9%
9	Non-Acctg Ops	\$ -	0.0%
10	-	\$ -	0.0%
11	-	\$ -	0.0%
12	-	\$ -	0.0%
13	-	\$ -	0.0%
14	-	\$ -	0.0%
15	-	\$ -	0.0%
16	-	\$ -	0.0%
17	-	\$ -	0.0%
18	-	\$ -	0.0%
19	-	\$ -	0.0%
20	-	\$ -	0.0%
21	-	\$ -	0.0%
22	-	\$ -	0.0%
		\$13,572,129	



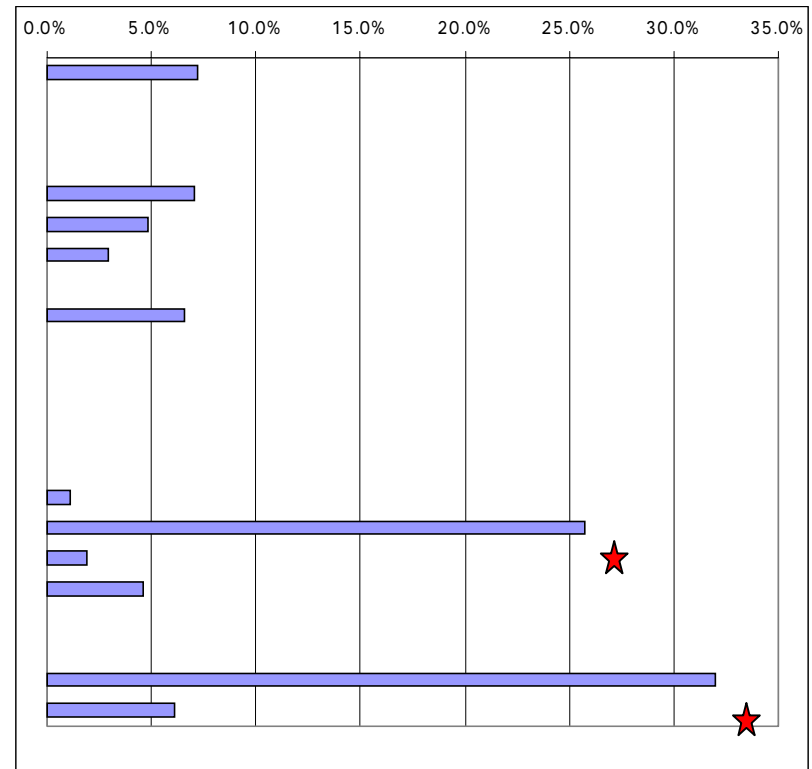
Specific Product, Specific Activity Costs

Displaying only the *Operations* area activities that support Vendor Payments, it is visible that two cost areas are predominant - *Correct Pre-payment Errors & Reconcile Vendor Invoices*. These two activities are re-work areas and have potential for improvement.

Product Detailed Costs

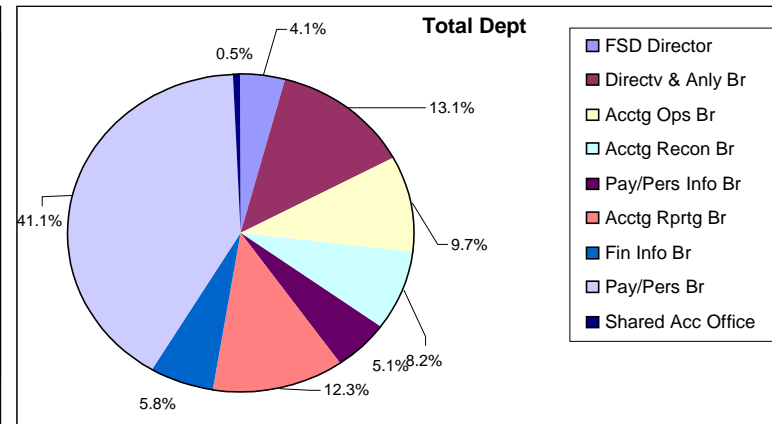
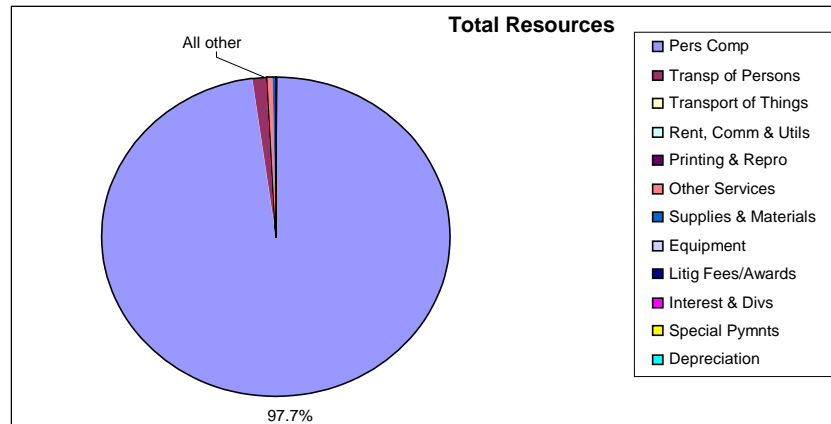
Cost Center	0000	NFC
Resource	0.0	All
Activity	A-4.00	Operations
Product	2.1	Vendor Payment
Period	2	FY 1999 Revised

	Activity	Activity Cost	ActPer
1	Control Payment Recertification Process	\$ 498,514	7.2%
2	Monitor & Control Updates to G/L & Financial S	\$ -	0.0%
3	Reconcile Treasury Statements of Differences	\$ -	0.0%
4	Calculate Lost Earnings	\$ -	0.0%
5	Reconcile Payments to General Ledger	\$ 485,190	7.0%
6	Create User Documentation	\$ 333,612	4.8%
7	Reconcile and Certify Administrative Payments	\$ 204,637	3.0%
8	Process OPAC Transaction	\$ -	0.0%
9	Control Input Source Documentation	\$ 452,713	6.5%
10	Establish Receivables	\$ -	0.0%
11	Adjust Accounts Receivables Information	\$ -	0.0%
12	Collect Delinquent Debts - Claims	\$ -	0.0%
13	Record Collections - Cash	\$ -	0.0%
14	Record Cancellations - ABCO	\$ -	0.0%
15	Update Data In Tables	\$ 76,375	1.1%
16	Reconcile Vendor Invoices	\$ 1,778,826	25.7%
17	Monitor Day-to-day Application Processing	\$ 133,141	1.9%
18	Create and Execute Manual Payments	\$ 316,975	4.6%
19	Reconcile General Ledger System to Budget Co	\$ -	0.0%
20	Reconcile and Distribute TFS-6653 6654 & 6667	\$ -	0.0%
21	Correct Pre-payment Errors	\$ 2,209,856	32.0%
22	Conduct Statistical Pre & Post Audit Analysis	\$ 424,256	6.1%
		\$ 6,914,093	

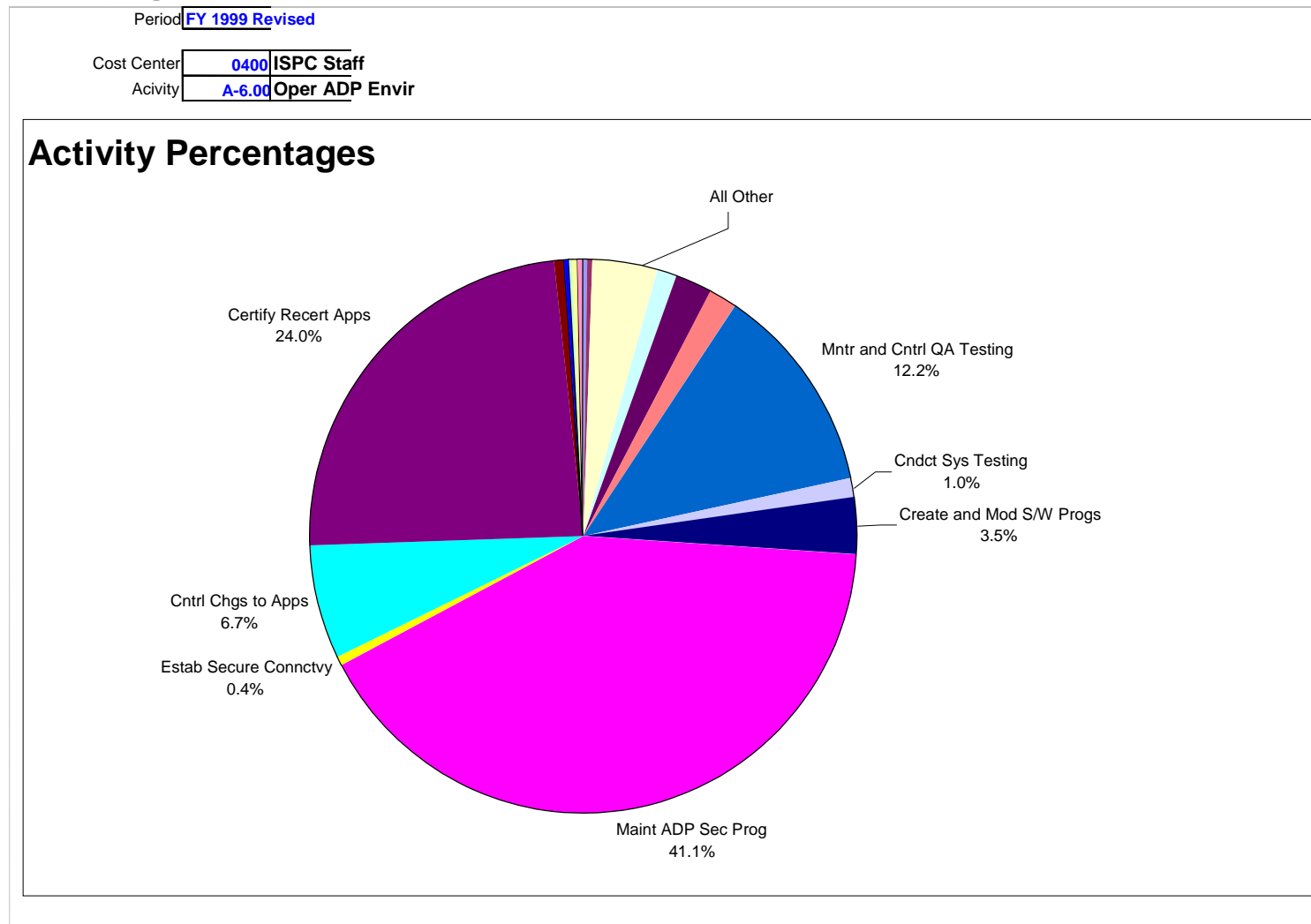


The ABC Model also shows cost data using traditional cost centers. Specific resource costs for each branch of the *Financial Services Division* are shown below. This is considered the “traditional” view of costs.

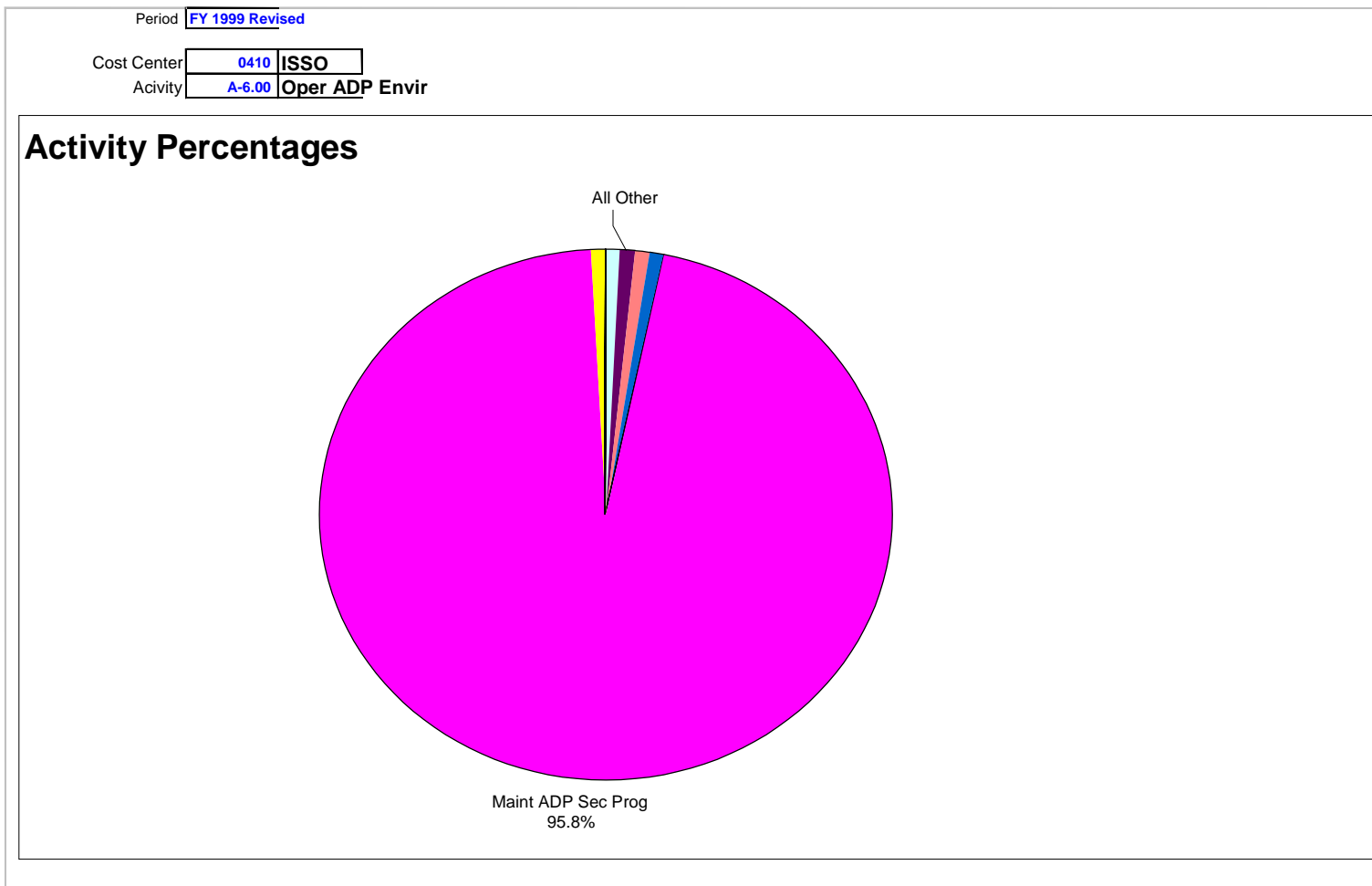
Cost Center		3000	Fin Serv Div		Cost Center Resource Costs (in ,000s)									
Resource		0.0	All		Period	FY 1999 Revised								
Cost Centers														
		FSD Director	Directv & Anly Br	Acctg Ops Br	Acctg Recon Br	Pay/Pers Info Br	Acctg Rprtg Br	Fin Info Br	Pay/Pers Br	Shared Acc Office	Admin Paymts Br	Billg & Coll Br	FFIS Ops Br	Total Resources
1	Pers Comp	715.9	2,393.9	1,793.7	1,503.8	882.8	2,235.9	960.7	7,499.9	86.1	6,823.8	3,933.4	641.3	28,830.0
2	Transp of Persons	15.9	7.1	7.1	5.9	64.5	38.1	76.1	152.4	6.7	11.2	5.4	12.0	390.2
3	Transport of Things	-	-	0.9	-	-	-	-	-	-	-	-	-	0.9
4	Rent, Comm & Utils	-	-	-	-	0.3	-	14.9	5.4	0.1	-	-	-	20.6
5	Printing & Repro	-	0.0	-	-	-	-	-	-	-	-	-	-	0.0
6	Other Services	15.7	13.9	4.6	27.8	12.0	21.0	31.2	17.9	-	16.4	11.9	2.6	172.4
7	Supplies & Materials	3.2	25.0	4.8	0.8	1.1	1.8	5.1	1.9	2.7	7.2	4.0	-	57.6
8	Equipment	6.9	8.7	4.6	0.2	-	0.8	-	-	4.4	2.0	2.1	-	29.6
9	Litig Fees/Awards	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Interest & Divs	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Special Pymnts	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Dept		757.7	2,448.5	1,815.6	1,538.4	960.7	2,297.5	1,087.9	7,677.6	100.0	6,860.5	3,956.7	656.0	29,501.2



The ABC pie chart below shows a detailed activity cost breakdown of *Operating the ADP Environment for all ISCPS Staff*

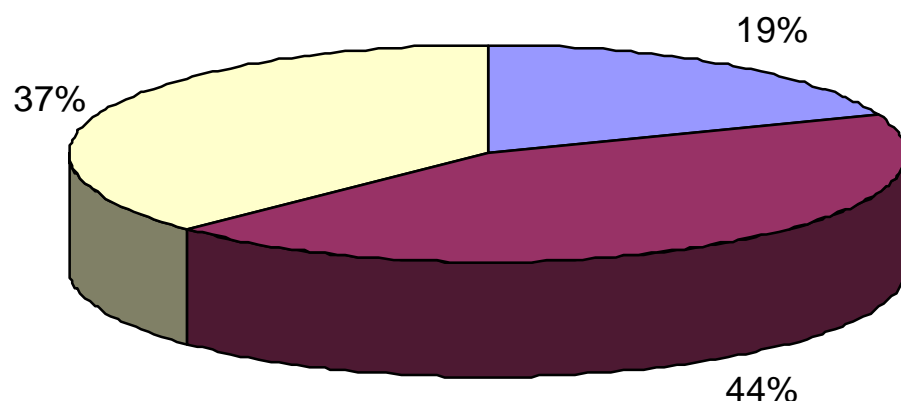


“Drilling-down” one level, we can see the activity cost distribution for the ISSO Branch’s *Operate ADP Environment* activities. Note that the main activity here is to *Maintain the ADP Security Program*.



FTE Distribution for FY 1999

FY 1999 FTE - 1605



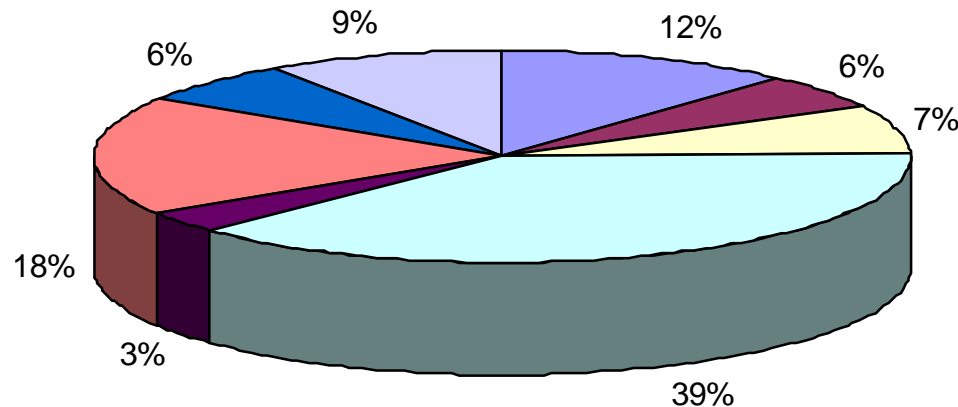
FY 1999 FTE Distribution

- Non-accounting Operations - 306
- Accounting Operations - 701
- Not Surveyed - 598

- NFC Branch Chiefs divided their staff by work spent in support of accounting related activities and non-accounting related activities
- Divisions and Branches that do not conduct Accounting related activities were not surveyed (e.g. TSP Division, Payroll/Personnel Branch, etc.)

FY 1999 Accounting FTE by Process

Accounting FTE - 701



FTE by Process

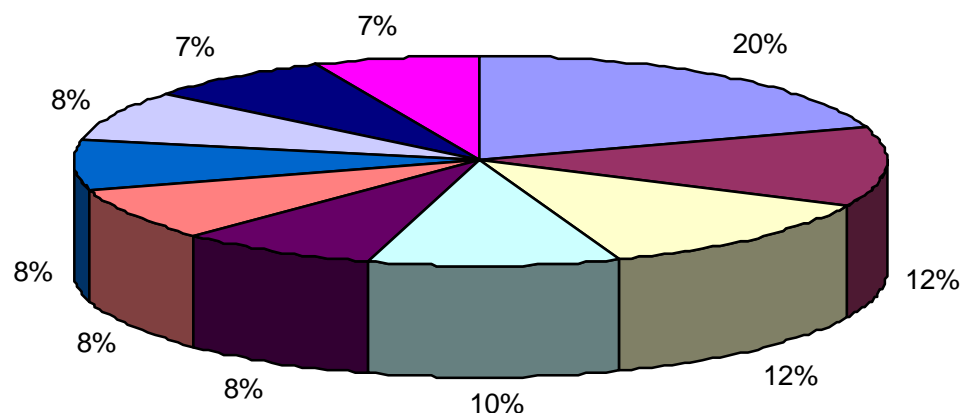
- General Management and Support Process - 81
- Personnel Management Process - 6
- Reporting Process - 50
- Operations Process - 269
- Support FFIS Operations - 24
- Operate ADP Environment Process - 125
- Requirements Process - 45
- Customer Service Process - 66

- Labor Resource Distribution is an important driver in overall cost
- FTE by Process shows how Labor Resources drive costs throughout Accounting Services

Top 10 FTE Assignments by Activity

Top 10 FTE Assignments

701 Accounting FTE



Top 10 FTE Assignments

- Correct Pre-payment Errors - 58
- Receive Non-Technical Inquiries - 36
- Operate ADP Environment - 35
- Create Requirements - 29
- Reconcile Vendor Invoices - 24
- Create and Modify Software Programs - 23
- Receive Technical Inquiries - 22
- Create User Documentation - 22
- Process OPAC Transaction - 22
- Monitor & Control Updates to G/L & Financial Statements - 20

- FTE by Activity shows the highest concentrations of Labor Resource assignment
- 3 of the Top 5 FTE assignments support activities that error correction, reconciliation, and responding to customer inquiries

Recommendations

- **IMPROVING CUSTOMER FOCUS**
- **MANAGING RISKS**
- **BUILDING ORGANIZATIONAL CAPACITY**
- **LEVERAGING THE USE OF TECHNOLOGY**

Recommendations

Improving Customer Focus

Improving Customer Focus

- Use the Cost Model to Manage Accounting Operations
- Adopt a Product Line Organization
- Cafeteria Pricing with Service-Level Agreements
- Expand Customer Service and Help Desk Functions

Recommendations

Managing Risks and Sustaining Effective Operations

Managing Risks

- Conduct an Internal Controls Review
- Minimize Manual Payments and Processes

Recommendations

Building Organizational Capacity

Building Organizational Capacity

- Create a Strategic Planning Staff and Charter Performance Improvement Teams
- Employ Enhanced Training Focus
- Develop, Plan, and Implement the Next Generation Accounting Model
- Cross-Servicing and Outsourcing
- Create Business Rules with Uniform Standards

Recommendations

Leveraging the Use of Technology

Leveraging the Use of Technology

- Retire the CAS Model—Eliminate Feeder Systems and Adopt FFIS as Accounting System
- Enable Customers to Access their Data through the Internet
- Maintain Functional Requirements Development
- Develop Automated Matching Tool
- Standardize Interfaces and Data Requirements for the Electronic Submission of Accounting Data